

## **Assembly Bill No. 3497**

### **CHAPTER 203**

An act to amend Section 42238 of, and to add Sections 42238.41, 42238.42, and 42238.43 to, the Education Code, relating to school finance, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor July 20, 1996. Filed with  
Secretary of State July 22, 1996.]

#### **LEGISLATIVE COUNSEL'S DIGEST**

**AB 3497, Richter. Education finance: revenue limits.**

(1) Existing law requires each county superintendent of schools to make specified calculations to determine a base revenue limit for each school district in the county. As part of that computation, existing law requires the Superintendent of Public Instruction to compute a revenue limit equalization adjustment for the 1995–96 fiscal year for each school district's base revenue limit pursuant to a specified formula.

This bill would require the county superintendent of schools, in conjunction with the Superintendent of Public Instruction, to compute an equalization adjustment for each school district in the county so that no district's 1996–97 base revenue limit per unit of average daily attendance is less than the 1995–96 fiscal year statewide average base revenue limit for the appropriate size and type of district, as adjusted for inflation. This bill would make conforming changes to related provisions of law so that the amount of the increase to each school district's revenue limit is included in the computation of school district's revenue limit in subsequent fiscal years.

This bill would appropriate an amount equal to the total statewide amount computed pursuant to those equalization provisions for each school district for the 1996–97 fiscal year, but not to exceed \$147,000,000, to the Superintendent of Public Instruction for allocation to school districts as equalization adjustments for the 1996–97 fiscal year.

(2) Pursuant to Section 8 of Article XVI of the California Constitution, the state is required to appropriate a computed minimum level of funds from the General Fund for the support of school districts and community college districts for each fiscal year (hereafter "the state's minimum funding obligation pursuant to Section 8"). Existing law requires the Controller each fiscal year, to transfer from the General Fund to Section A of the State School Fund, certain amounts certified by the Superintendent of Public Instruction for the purpose of making apportionments to school

districts. The Budget Act of 1996 identifies the amount appropriated for the purposes of meeting the state's minimum funding obligation pursuant to Section 8 for the 1996–97 fiscal year. Existing law applies a deficit factor to the revenue limits computed for county superintendents of schools and school districts.

This bill would require the Department of Finance to compute the amount by which the amount required to be appropriated for the purpose of meeting the state's minimum funding obligation pursuant to Section 8 for the 1996–97 fiscal year, exceeds the total amount actually appropriated for that purpose for the 1996–97 fiscal year, as determined as of February 1, 1998, and as certified by the Department of Finance. The bill would require that of the amount computed by the Department of Finance, a computed percentage of that amount be set aside from General Fund revenues for community college districts, to be appropriated by the Legislature. The bill would appropriate an amount equal to the remaining balance of the amount computed by the Department of Finance from the General Fund to the Superintendent of Public Instruction, with 50% of the balance allocated for the purposes of equalizing revenue limits, as specified, and with 50% of the balance allocated for the purposes of reducing the deficit factors applied to the revenue limits computed for county superintendents of schools and school districts. The bill would set forth a method for computing equalization adjustments to the revenue limits of school districts based on the statewide average base revenue limits for school districts for the 1996–97 fiscal year, as adjusted for inflation.

This bill would declare that it is to take effect immediately as an urgency statute.

Appropriation: yes.

*The people of the State of California do enact as follows:*

SECTION 1. Section 42238 of the Education Code is amended to read:

42238. (a) For the 1984–85 fiscal year and each fiscal year thereafter, the county superintendent of schools shall determine a revenue limit for each school district in the county pursuant to this section.

(b) The base revenue limit for the current fiscal year shall be determined by adding to the base revenue limit for the prior fiscal year the following amounts:

(1) The inflation adjustment specified in Section 42238.1.

(2) For the 1995–96 fiscal year, the equalization adjustment specified in Section 42238.4.

(3) For the 1996–97 fiscal year, the equalization adjustments specified in Sections 42238.41, 42238.42, and 42238.43.

(4) For the 1985–86 fiscal year, the amount received per unit of average daily attendance in the 1984–85 fiscal year pursuant to Section 42238.7.

(5) For the 1985–86, 1986–87, and 1987–88 fiscal years, the amount per unit of average daily attendance received in the prior fiscal year pursuant to Section 42238.8.

(c) Except for districts subject to subdivision (d), the base revenue limit computed pursuant to subdivision (b) shall be multiplied by the district average daily attendance computed pursuant to Section 42238.5.

(d) For districts for which the number of units of average daily attendance determined pursuant to Section 42238.5 is greater for the current fiscal year than for the 1982–83 fiscal year, compute the following amount, in lieu of the amount computed pursuant to subdivision (c):

(1) Multiply the base revenue limit computed pursuant to subdivision (c) by the average daily attendance computed pursuant to Section 42238.5 for the 1982–83 fiscal year.

(2) Multiply the lesser of the amount in subdivision (c) or 1.05 times the statewide average base revenue limit per unit of average daily attendance for districts of similar type for the current fiscal year by the difference between the average daily attendance computed pursuant to Section 42238.5 for the current and 1982–83 fiscal years.

(3) Add the amounts in paragraphs (1) and (2).

(e) The base revenue limit per unit of average daily attendance shall be the lesser of the following amounts:

(1) The amount determined in subdivision (b).

(2) The amount computed pursuant to Section 42238 for the prior fiscal year divided by the prior fiscal year revenue limit average daily attendance times the sum of 1.0 and twice the percentage increase in revenue limits computed pursuant to Section 42238.1 for the current fiscal year.

(f) For districts electing to compute units of average daily attendance pursuant to paragraph (3) of subdivision (a) of Section 42238.5, the amount computed pursuant to Article 4 (commencing with Section 42280) shall be added to the amount computed in subdivision (c) or (d), as appropriate.

(g) For the 1984–85 fiscal year only, the county superintendent shall reduce the total revenue limit computed in this section by the amount of the decreased employer contributions to the Public Employees' Retirement System resulting from enactment of Chapter 330 of the Statutes of 1982, offset by any increase in those contributions, as of the 1983–84 fiscal year, resulting from subsequent changes in employer contribution rates.

The reduction shall be calculated as follows:

(1) Determine the amount of employer contributions that would have been made in the 1983–84 fiscal year if the applicable Public

Employees' Retirement System employer contribution rate in effect immediately prior to the enactment of Chapter 330 of the Statutes of 1982 were in effect during the 1983–84 fiscal year.

(2) Subtract from the amount determined in paragraph (1) the greater of subparagraph (A) or (B):

(A) The amount of employer contributions that would have been made in the 1983–84 fiscal year if the applicable Public Employees' Retirement System employer contribution rate in effect immediately after the enactment of Chapter 330 of the Statutes of 1982 were in effect during the 1983–84 fiscal year.

(B) The actual amount of employer contributions made to the Public Employees' Retirement System in the 1983–84 fiscal year.

(3) For purposes of this subdivision, employer contributions to the Public Employees' Retirement System for any of the following shall be excluded from the calculation specified above:

(A) Positions supported totally by federal funds that were subject to supplanting restrictions.

(B) Positions supported by funds received pursuant to Section 42243.6.

(C) Positions supported, to the extent of employer contributions not exceeding twenty-five thousand dollars (\$25,000) by any single educational agency, from a revenue source determined on the basis of equity to be properly excludable from the provisions of this subdivision by the Superintendent of Public Instruction with the approval of the Director of Finance.

(4) For accounting purposes, the reduction made by this subdivision may be reflected as an expenditure from appropriate sources of revenue as directed by the Superintendent of Public Instruction.

(h) The Superintendent of Public Instruction shall apportion to each school district the amount determined in this section less the sum of:

(1) The district's property tax revenue received pursuant to Chapter 3 (commencing with Section 75) and Chapter 6 (commencing with Section 95) of Part 0.5 of the Revenue and Taxation Code.

(2) The amount, if any, received pursuant to Part 18.5 (commencing with Section 38101) of the Revenue and Taxation Code.

(3) The amount, if any, received pursuant to Chapter 3 (commencing with Section 16140) of the Government Code.

(4) Prior years taxes and taxes on the unsecured roll.

(5) Fifty percent of the amount received pursuant to Section 41603.

(6) The amount of motor vehicle license fees distributed pursuant to Section 11003.4 of the Revenue and Taxation Code.

(7) The amount, if any, received pursuant to any provision of the Community Redevelopment Law (Part 1 (commencing with Section 33000) of Division 24 of the Health and Safety Code), except for any amount received pursuant to Section 33401 or 33676 of the Health and Safety Code that is used for land acquisition, facility construction, reconstruction, or remodeling, or deferred maintenance, except for any amount received pursuant to Section 33492.15, paragraph (3) of subdivision (a) of Section 33607.5, or Section 33607.7 of the Health and Safety Code that is allocated exclusively for educational facilities.

(i) This section shall become operative July 1, 1984.

SEC. 2. Section 42238.41 is added to the Education Code, to read:

42238.41. (a) For the 1996–97 fiscal year, the county superintendent of schools, in conjunction with the Superintendent of Public Instruction, shall compute an equalization adjustment for each school district in the county, so that no district's 1995–96 base revenue limit per unit of average daily attendance is less than the 1995–96 fiscal year statewide average base revenue limit for the appropriate size and type of district listed in subdivision (b).

For purposes of this section, the district base revenue limit and the statewide average base revenue limit shall not include any amounts attributable to Section 45023.4, 46200, or 46201.

(b) Subdivision (a) shall apply to the following school districts, which shall be grouped according to size and type as follows:

District	ADA
Elementary .....	less than 101
Elementary .....	more than 100
High School .....	less than 301
High School .....	more than 300
Unified .....	less than 1,501
Unified .....	more than 1,500

(c) The Superintendent of Public Instruction shall compute a revenue limit equalization adjustment for each school district's base revenue limit per unit of average daily attendance as follows:

(1) Add the products of the amount computed for each school district by the county superintendent pursuant to subdivision (a) and the average daily attendance used to calculate the district's revenue limit for the current fiscal year as adjusted for the deficit factor in Section 42238.145.

(2) Divide the amount appropriated for purposes of this section for the current fiscal year by the amount computed pursuant to paragraph (1).

(3) Multiply the amount computed for the school district pursuant to subdivision (a) by the amount computed pursuant to paragraph (2).



(d) For the purposes of this section, the 1995–96 statewide average base revenue limits determined for the purposes of subdivision (a) and the fraction computed pursuant to paragraph (2) of subdivision (c) by the Superintendent of Public Instruction for the 1995–96 second principal apportionment shall be final, and shall not be recalculated at subsequent apportionments. In no event shall the fraction computed pursuant to paragraph (2) of subdivision (c) exceed 1.00. For the purposes of determining the size of a district used in subdivision (b), county superintendents of schools, in conjunction with the Superintendent of Public Instruction, shall use a school district's revenue limit average daily attendance for the 1995–96 fiscal year as determined pursuant to the Section 42238.5 and Article 4 (commencing with Section 42280).

SEC. 3. Section 42238.42 is added to the Education Code, to read:

42238.42. (a) In the event that the amount required to be appropriated for the purpose of the state's minimum funding obligation to school districts and community college districts pursuant to Section 8 of Article XVI of the California Constitution for the 1996–97 fiscal year, as determined in paragraph (1) of subdivision (b), exceeds the amount appropriated for that purpose for the 1996–97 fiscal year, as determined pursuant to paragraph (2) of subdivision (b), the amount computed pursuant to subdivision (d), is hereby appropriated from the General Fund to the Superintendent of Public Instruction for the purposes of equalizing the revenue limits of school districts pursuant to subdivision (e) and Section 42238.43 and for the purpose of reducing the deficit factor applied to the revenue limits of county superintendents of schools pursuant to Section 2558.45 and reducing the deficit factor applied to the revenue limits of the school districts pursuant to Section 42238.145.

(b) To determine the amounts available for the purposes of this section, the Department of Finance shall make the following computations:

(1) At the first principal apportionment for the 1997–98 fiscal year, compute the level of General Fund revenues that meets the state's minimum funding obligation to school districts and community college districts pursuant to Section 8 of Article XVI of the California Constitution for the 1996–97 fiscal year based upon the most current determination of data as defined in subdivision (a) of Section 41206 of the Education Code.

(2) Subtract from the amount determined in paragraph (1) an amount equal to the total amount of General Fund revenues that have been appropriated for the purpose of meeting the state's minimum funding obligation for the 1996–97 fiscal year to school districts and community college districts pursuant to Section 8 of Article XVI of the California Constitution as of February 1, 1998.



(3) If the amount computed in paragraph (2) is greater than zero, that amount is the total amount available for the purposes of this section.

(c) To determine the portion of the amount computed in subdivision (a) to set aside for community college districts pursuant to this section, the Department of Finance shall make the following computations:

(1) Add the total General Fund allocations to school districts and community college districts for the purposes of meeting the state's minimum funding obligation to school districts and community college districts pursuant to Section 8 of Article XVI of the California Constitution for the 1996–97 fiscal year to the total statewide amount of “allocated local proceeds of taxes,” as defined in subdivisions (g) and (h) of Section 41202, allocated to school districts and community college districts for the 1996–97 fiscal year.

(2) Divide the sum of the General Fund allocations made to community college districts for the purposes of meeting the state's minimum funding obligation to community college districts pursuant to Section 8 of Article XVI of the California Constitution for the 1996–97 fiscal year and the total statewide amount of “allocated local proceeds of taxes,” as defined in subdivision (h) of Section 41202, allocated to community college districts for the 1996–97 fiscal year by the sum computed pursuant to paragraph (1).

(3) Multiply the amount computed pursuant to subdivision (b) by the percentage determined in paragraph (2). Community college districts shall be entitled to receive an amount equal to the amount computed pursuant to this paragraph and that amount shall be set aside from the General Fund for appropriation to community college districts by the Legislature.

(d) The amount of the appropriation made pursuant to subdivision (a) of this section shall be computed by subtracting the amount computed in paragraph (3) of subdivision (c) from the amount computed pursuant to subdivision (b). The Director of the Department of Finance shall certify to the Controller the amount of the appropriation computed pursuant to this subdivision and under no circumstances shall funds be released by the Controller for purposes of this section before that certification is received by the Controller.

(e) Prior to the allocation provided in subdivision (f), the Superintendent of Public Instruction shall allocate 50 percent of the amount computed pursuant to subdivision (d) to school districts for the purpose of making equalization adjustments to the base revenue limit of school districts for the 1996–97 fiscal year, as follows:

(1) The Superintendent of Public Instruction shall perform the computations set forth in Section 42238.43 for the purpose of equalization adjustments to the base revenue limits of school districts

for the 1996–97 fiscal year to determine the amount to allocate to each school district pursuant to this paragraph.

(2) The Superintendent of Public Instruction shall repeat the process of computing equalization adjustments to the base revenue limits of school districts for the 1996–97 fiscal year pursuant to Section 42238.43 until the total amount of funds available for that purpose pursuant to this subdivision is allocated to school districts.

(3) If the total amount of funds available for allocation pursuant to this subdivision is insufficient to fully fund the amounts computed pursuant to paragraph (1) or the amount computed pursuant to any of the iterations made pursuant to paragraph (2), the allocations computed pursuant to those paragraphs shall be reduced proportionately.

(f) The Superintendent of Public Instruction shall allocate 50 percent of the amount computed pursuant to subdivision (d) to county superintendents of schools for the purpose of reducing the 1996–97 and 1997–98 deficit factors applied to the revenue limits of county superintendent of schools and school districts pursuant to Sections 2558.45 and 42238.145, respectively. The amount of the allocation made to each school district and county superintendent of schools for the purpose of reducing their respective deficit factors shall be computed in proportion to their respective shares of the total statewide amount of the deficit factors applied to the revenue limits for school districts and county superintendents of schools.

(g) In no event shall this section be construed to require an appropriation that would cause the aggregate amount required to be appropriated from the General Fund for the 1996–97 fiscal year pursuant to Section 8 of Article XVI of the California Constitution to be exceeded.

SEC. 4. Section 42238.43 is added to the Education Code, to read:

42238.43. (a) For the 1996–97 fiscal year, the county superintendent of schools, in conjunction with the Superintendent of Public Instruction, shall compute an equalization adjustment for each school district in the county, so that no district's base revenue limit per unit of average daily attendance is less than the 1996–97 fiscal year statewide average base revenue limit for the appropriate size and type of district listed in subdivision (b) plus the inflation adjustment specified in Section 42238.1 for the current fiscal year for the appropriate type of district.

For purposes of this section, the district base revenue limit and the statewide average base revenue limit shall not include any amounts attributable to Section 45023.4, 46200, or 46201.

(b) Subdivision (a) shall apply to the following school districts, which shall be grouped according to size and type as follows:





District	ADA
Elementary .....	less than 101
Elementary .....	more than 100
High School .....	less than 301
High School .....	more than 300
Unified .....	less than 1,501
Unified .....	more than 1,500

(c) The equalization adjustment computed pursuant to this section shall only be funded from amounts appropriated for that purpose pursuant to Section 42238.42.

(d) For the purposes of the computation made pursuant to paragraph (1) of subdivision (e) of Section 42238.42, the 1996–97 statewide average base revenue limits determined for the purposes of subdivision (a) and the fraction, if any, computed pursuant to paragraph (3) of subdivision (e) of Section 42238.42 by the Superintendent of Public Instruction for the 1996–97 second principal apportionment shall be final, and shall not be calculated as subsequent apportionments. In no event shall the fraction computed pursuant to paragraph (3) of subdivision (e) of Section 42238.42 exceed 1.00. If any iterations are required pursuant to paragraph (2) of Section 42238.42, the Superintendent of Public Instruction shall recompute the 1996–97 statewide average base revenue limit to include any adjustments made by the immediately preceeding iteration. For the purposes of determining the size of a district used in subdivision (b), the Superintendent of Public Instruction shall use a school district's revenue limit average daily attendance for the 1996–97 fiscal year as determined pursuant to Section 42238.5 and Article 4 (commencing with Section 42280).

SEC. 5. (a) The Legislature hereby appropriates from the General Fund to the Superintendent of Public Instruction, for allocation to school districts, a sum that is equal to the total statewide amount necessary to fund the equalization adjustments computed for each school district for the 1996–97 fiscal year pursuant to Section 42238.41 of the Education Code. The Director of the Department of Finance shall certify to the Controller the amount of the appropriation computed pursuant to this section. In no event shall the total amount appropriated for the purpose of Section 42238.41 of the Education Code pursuant to this section exceed one hundred forty-seven million one hundred thousand dollars (\$147,100,000). The Superintendent of Public Instruction, if necessary, shall reduce the equalization adjustments computed for the base revenue limits of school districts pursuant to Section 42238.41 of the Education Code as provided in that section. This section shall not be construed to limit in any way the amounts computed pursuant to Sections 42238.42 and 42238.43 of the Education Code.



(b) For the purposes of making the computations required by Section 8 of Article XVI of the California Constitution, the appropriation made by subdivision (a) shall be deemed to be “General Fund revenues appropriated to school districts,” as defined in subdivision (c) of Section 41202 of the Education Code for the 1996–97 fiscal year, and included within the “total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B” as defined in subdivision (e) of Section 41202 of the Education Code, for the 1996–97 fiscal year.

SEC. 6. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the California Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to make statutory changes necessary for the implementation of the Budget Act of 1996, it is necessary for this act to take effect immediately.

